



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

August 25, 2011

Dr. Mark Osborn
Lead-Impacted Communities Relocation Assistance Trust
2 N. Main Street, 2nd Floor
Miami, OK 74355

Re: Special Audit Request – Office of the Attorney General – Allegations of Wrongdoing

Dear Dr. Osborn:

Oklahoma Attorney General Scott Pruitt has requested, pursuant to the requirements of **74 O.S. § 18f**, a special investigative audit of Lead-Impacted Communities Relocation Assistance Trust (LICRAT) as it relates to allegations of wrongdoing regarding the awarding of Tar Creek Reclamation Contracts by or on behalf of LICRAT and its compliance with the Oklahoma Public Competitive Bidding Act of 1974. You are hereby requested to all measures necessary to **secure for inspection** all documents including correspondence, emails, notes or any other written communication, bid records, contract records and any other documentation in the possession of LICRAT relevant to these reclamation contracts.

74 O.S. § 18f states, in part:

[I]t shall be the duty of the State Auditor and Inspector, upon request of the Attorney General, to furnish him with experienced auditors and/or accountants from the personnel of his department to make audits and check records for the Attorney General in any case to be tried or in any matter being investigated by the Attorney General. **The cost of such services shall be borne by the entity audited.** (ca)

The objectives of our special audit will be to determine if possible improper procurement and other financial practices, or other possible illegal conduct occurred. The scope of the special audit will include, at a minimum, FY10 and FY11.

Because the above procedures do not constitute an audit in accordance with generally accepted auditing standards, we will not express an opinion on any account balances or financial statements of LICRAT. Further, due to the test nature and other inherent limitations of a special audit, together with the inherent limitations of any internal control structure, there is an unavoidable risk that even some material misstatement may remain undiscovered.

We understand that you will provide us with the basic information required for us to perform our special audit procedures and that you are responsible for the accuracy and completeness of that information. We will issue a special audit report to the Attorney General on the results obtained after applying the above procedures. The public release of the report will be determined by the Attorney General at the conclusion of his review of criminal allegations.

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Our fees for these services will be based on the actual time spent at our standard hourly rates, plus travel and other out-of-pocket costs. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your special audit.

The estimated cost of our special audit is \$150,000; however, if unexpected circumstances arise beyond our control, it may require us to request that you encumber additional funds. **Our invoices for these fees will be rendered each month as work progresses and are payable upon receipt.** Our fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the special audit.

Our engagement fees do not include any time for post-engagement consultation with your personnel or third parties, consent letters and related procedures for the use of our reports in offering documents, inquiries from regulators or testimony or deposition regarding any subpoena. Charges for such services will be billed separately.

We believe this letter accurately summarizes the significant terms of our special audit and shall serve as a contract between us. Should you have any questions, please let us know. Please sign below and return one copy to our office.

Sincerely,



Gary Jones, CPA, CFE
State Auditor & Inspector

GJ:td

cc: The Honorable Gary Sherrer, Oklahoma Secretary of the Environment

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This letter correctly sets forth the understanding of the LICRAT.

Dr. Mark Osborn
LICRAT

Date